

## IBM Digital Business Group

### Talent: Transforming to Next Generation Digital Talent

Focus on strategic cities to magnify impact through scale – key battle grounds where Digital Centers and Developer Advocacy Teams will be co-located (95% by 2020) attracting the next generation of digital talent

Winning the Talent War	Re-Profiling Current Talent	Investing Skills That Matter
<ul style="list-style-type: none"><li>Prioritize talent acquisition partnerships and programs to enable a continuous, high-quality talent pipeline</li><li>Increase technical acumen to unleash IBM's potential</li><li>Improve attractiveness of culture and work environment for diverse talent</li></ul>	<ul style="list-style-type: none"><li>Prioritize talent solutions to retain critical talent in key battleground cities (Dublin, Dallas, San Francisco, Berlin, etc.)</li><li><b>Continuous talent refresh</b> – Focus on programs to create room for new talent to build skills for key growth areas in Cloud and Cognitive</li></ul>	<ul style="list-style-type: none"><li>Next generation digital talent success profile to define requirements, gaps and action plans</li><li>Product, applied skills and learning programs to win Cognitive and Cloud battles vs competition</li><li>Leverage external credentials and digital badges to accelerate skills</li></ul>

Sustainable DBG Culture to Unleash IBM			
Establish strong leadership to drive a winning culture	Communicate & advocate for impact	Share and celebrate success to create momentum	Continuous ingrained feedback leveraging NPS
<b>Expected Outcomes</b>			
5 pts Increase in Employee Engagement by YE 2018	55% Early Professional Hires in 2020	10% annual talent refresh	95% level 2 Digital Mastery and 90% External DM certification

EXHIBIT  
M  
dbbless



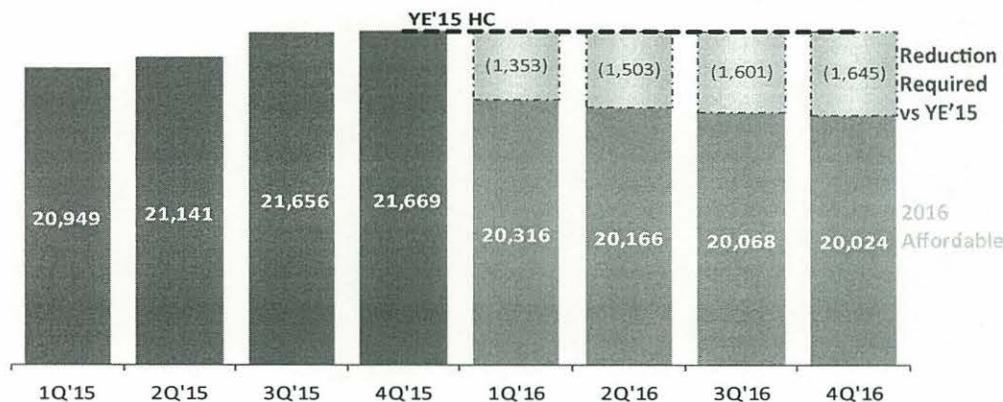
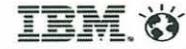
## 2016 Analytics People Priorities & Key Initiatives

1. Dynamic Resource Model	2. Skills Portfolio Optimization	3. Talent Acquisition	4. Signature Employee Experience	5. Career Transition	6. Leadership & Culture
<p><b>ACTION:</b> Drive investment tradeoffs to achieve sustainable mix and cost; enhance forecasting of future resource shifts based on Analytics'</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• AUDDI predictive analytics</li> <li>• Watson Analytics RM dashboard</li> <li>• Rolling MIS / RA planning</li> </ul>	<p><b>ACTION:</b> Data driven approach to provide further clarity of skill value, gaps and excesses. Remix and refresh critical skill areas.</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• Analytics Skills Value Council</li> <li>• Targeted Skills Remix</li> <li>• Technical leadership refresh</li> </ul>	<p><b>ACTION:</b> Enhance recruitment capabilities to better acquire scarce, highly skilled, high-value talent.</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• Analytics Ambassadors</li> <li>• Recruiting presence for next generation skills</li> <li>• Analytics Talent Scout</li> <li>• ExPro sourcing</li> </ul>	<p><b>ACTION:</b> Differentiate investment in people programs to create positive IBM employee experiences. Use EPH development tracks to grow and retain skills.</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• Strategic learning plan</li> <li>• Experiential Learning Opportunities</li> <li>• Technical Summit</li> <li>• Targeted ALAP</li> </ul>	<p><b>ACTION:</b> Establish and maintain "healthy" attrition targets. Embed "Up or On" mindset to enable managers and employees to drive appropriate career</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• Up or On upline management training</li> <li>• Career Transition Project Office</li> <li>• Analytics Talent Centres</li> <li>• Executive role value assessment</li> </ul>	<p><b>ACTION:</b> Boost and amplify Analytics' culture through leadership development, vitality &amp; inclusion, and recognition programs*</p> <p><b>Key Initiatives:</b></p> <ul style="list-style-type: none"> <li>• Band D Executive Connections</li> <li>• TENT – BTL pipeline program</li> <li>• Reward Culture contributions</li> <li>• Data Science studios and Innovation</li> </ul>
<p><b>Outcome:</b></p> <p>Metrics and predictive analyses made available to managers to shift from <i>reactionary resource execution</i> toward <i>predictive resource planning</i></p>	<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Improved skills portfolio and next generation technical leadership</li> <li>• Increasing accuracy of SVF data, usability to guide decision-making on other talent Key Initiatives</li> </ul>	<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Reduced time to recruit and land critical skills (EPH and ExPro)</li> <li>• Improved quality and depth of candidate pool</li> </ul>	<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Reduced top contributor and EPH attrition</li> <li>• Employees maximize their contributions and are better prepared for future opportunities</li> </ul>	<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Increased attrition among low contributors in low value roles</li> <li>• Decreased top contributor and strategic skills attrition</li> </ul>	<p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• Leadership reinforcing a culture where employees maximize their contributions</li> <li>• Pipeline of transformational future leaders</li> </ul>

1

© 2015 IBM Corporation

## Affordable Resources



### Key Points

- **YE 2016 h/c: 20,024**
  - 8% net reduction YTY (- 1,645)
  - Restructuring required \$68M (- 1,484)
  - NA, Europe largest take outs
- **Continue key hiring: 1,386**
  - EPH: 679 - immersion in development tracks
  - ExPro: 707 - target hiring from key competitors
  - Key skill areas
    - Data Scientists / architects
    - Visual designers / Front-end developers
    - Digital Sellers / Consultative Sales
    - Solutions Offering Management
    - Industry Marketing
- **Dynamic Attrition Actions**
  - Maintain steady attrition to offset hiring
  - Reduce regretted attrition
  - Drive career transition of low contributors in low value roles

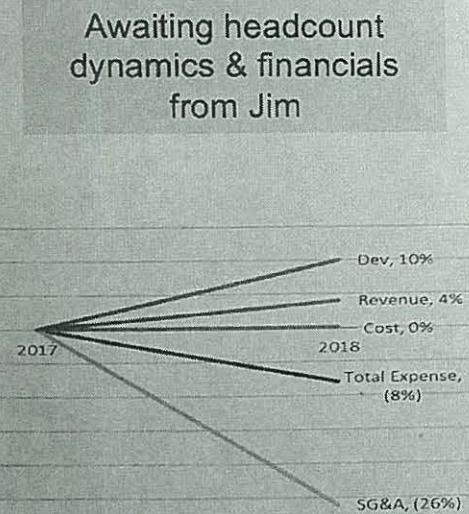
Resources	2015				2016 Affordable			
	1Q	2Q	3Q	4Q Est	1Q	2Q	3Q	4Q
R&D	8,721	8,720	8,970	8,988	8,275	8,109	8,004	7,959
M&D SG&A	1,301	1,311	1,390	1,390	967	977	977	977
Cost	5,050	5,050	5,028	5,028	5,029	5,035	5,042	5,043
<b>S&amp;D SG&amp;A</b>	<b>5,877</b>	<b>6,060</b>	<b>6,268</b>	<b>6,263</b>	<b>6,045</b>	<b>6,045</b>	<b>6,045</b>	<b>6,045</b>
Total	20,949	21,141	21,656	21,669	20,316	20,166	20,068	20,024
YTY					(3%)	(5%)	(7%)	(8%)
QTQ					(6%)	(1%)	(0%)	(0%)
					1%	2%	0%	

IBM CONFIDENTIAL

# Hybrid Cloud – Talent Fall Plan Overview

- Structure of the plan
- 1. Go To Market Transformation
- 2. Invest in strengthening our flagship offerings to drive growth
- 3. CMS: Labor Productivity “Lift & Shift”

## Invest in key offerings and drive revenue growth



## ..... while reducing headcount

Objective: *Grow revenue 4% to \$11B, while driving a 30% headcount reduction in SG&A*

### Integration and Analytics

#### Invest to beat the competition

- Significantly ramp up recruitment engine to tap into talent pools aligned with investment areas ((Development, Data Science, OM) to support hiring that will outpace voluntary attrition)
- Right size OM / Developer ratio (1:35 vs 1:12), drive a more aggressive performance management approach to enable us to hire and replace, and fund an influx of EP's to correct seniority mix (46% benchmark vs 21% actual)

### Cloud Managed Services

#### Increase labor productivity

- Displace 300 major market resources (primarily contractors) and hire in GR countries (Costa Rica, India, Poland and Romania) to achieve GR remix and labor productivity
- Co-locate 200 resources in 2 main locations

### Go To Market

#### Drive revenue growth while reducing headcount capacity

- Target a challenging SG&A reduction of 22% YtY, requiring a significant reduction in our workforce of 2500 resources (30%) from our pool of low contributors and declining skills, with possible impact to recent hires, hot skills and top contributors due to complex execution model by country.
- Develop resource plans to achieve affordable HC targets utilizing methods tailored to each country:
  - Building High Performance
  - Reduce Surplus headcount across playbook countries; Market led execution with clear alignment to WW and GEO management and HR teams.
  - Utilizing various reduction initiatives such as resource action, shifting sales and technical resources to Business Partners, exiting from non-strategic countries, and shifting headcount from major cities to strategic locations.

IBM CONFIDENTIAL

# Go To Market Transformation

- Drive revenue growth while reducing headcount capacity
- 1. Drive 30% reduction in headcount; YE'18 headcount target of 6,470 (reduction of 2,500 resources)
- 2. Transform to a digital engagement model optimized to deliver revenue growth
- 3. Align with simplified offering portfolio, reducing 27 sales specialties to 6 offerings

## 1. Strengthen our Talent priorities

- Drive career progression through newly published promotion guidelines for skills development
- Develop seller capabilities through Q1 "fast start" initiatives and on-going Hybrid Cloud specific enablement
- Drive technical skills boot-camp to deepen expertise
- Deploy role-based enablement and digital credentials on prioritized solutions, and key technical skills

## 2. Embed our Plays

- Accelerate digital model, with a focus on Digital Technical Engagement, and re-organize to enable a more efficient organization while maintaining client coverage

## 3. Close critical gaps

- Client Facing Technical Sellers
- Portfolio Sales Reps (F2F)
- Digital Sellers and Digital Technical Engagement Leader (DTE)

## 4. Execute

Targeting a challenging SG&A reduction of 22% YtY; requiring a significant reduction in our sales workforce of 2500 resources (30%) from our pool of low contributors and declining skills, with possible impact to recent hires, hot skills and top contributors due to complex execution model by country.

Develop resource plans to achieve affordable headcount target using new and innovative ideas and utilizing methods tailored to each country:

1. Building High Performance
  - Minimize disruption and maximize motivation
  - Extension of BAU performance management approach
  - Performance acceleration letter to be sent to employees on incentive plans that outline the actions to achieve expectations (>70% T1 in their last quota)
  - Enable early exits in 1Q'18
2. Reduce Surplus headcount across playbook countries; Market led execution with clear alignment to WW and GEO management and HR teams.
  - Identify target population; declining skills, poor sales track record, and/or low performance
  - Adopt management system, led by Market GM with assistance from "squads" to enable execution, utilizing weekly management cadence to drive to closure
  - Exit headcount via voluntary, involuntary, or location based strategies
3. Utilizing various reduction initiatives such as resource action, shifting sales and technical resources to Business Partners, exiting from non-strategic countries, and shifting headcount from major cities to strategic locations.

IBM CONF

# Invest in strengthening our flagship offerings to drive growth

- **Invest to beat the competition**

1. Hiring will outpace voluntary attrition in key areas (Development, Data Science, OM)
2. Analytics Platform – Re-engage with developer and data scientist communities to enable new investments, shed redundant HC costs and transfer skills to core portfolio areas
3. Cloud Integration – Recruit technical & developer top talent to win in private cloud

## 1. Strengthen our Talent priorities

- Significantly ramp up recruitment engine to tap into professional talent pools aligned with investment areas to support growth and attrition
- Recruit top early professionals from top universities
- Right size OM / Developer ratio (currently 1:35 vs baseline of 1:12), drive a more aggressive performance management approach to enable us to hire and replace where needed, and fund an influx of EP's to correct seniority mix (46% benchmark vs 21% actual)
- Use Digital Credentials to drive acquisition and growth of key skills to employees based on strategic business need

## 2. Embed our Plays

- Analytics**
  - Deepen Cloud skill base for global scale, security, networking, Site Reliability Engineering (SRE), instrumentation / analytics; and shift resources to Cloud Native & XaaS Growth Offerings
- Integration**
  - 4-3-3 Strategy: 4 Trends, 3 Buyers and 3 Core Offerings demonstrates our commitment to invest in key skills to be competitive, to grow revenue, and take share.

## 3. Close critical gaps

- Analytics**
  - Developer Offering Manager Data Scientist Machine Learning Visual Design, Design Prototype
- Integration**
  - Microservices, Kubernetes, Containers / Docker, Open Source –Hadoop, C++, UX Design / Implementation
  - Technical Evangelists / Developer Advocates; Offering Mgrs; Design; Cloud Native Application / Software Developers

## 4. Execute

### Professional

- Engage Strategic Sourcing & Talent Attraction RaaS Offerings:
  - Utilize Talent Landscape reports to identify best markets for Hybrid Cloud skills AND hire into these locations
  - With BU leaders, TAL to capture 2-4 growth and investment B 8-10 profiles with large volume hiring commitments and engage pipeline development
  - Stand-up sprint teams with participation by TA and line hiring teams to deliver up to 30 hires in 6 week agile sprints
  - With BU leaders, engage event pipeline development for interview day(s) by role and location.
- Engage Talent Attraction to develop Hybrid Cloud specific marketing messages for EP, New Collar and Professional candidate markets
- Increase social eminence of Hybrid Cloud business leaders through blog posts, engagement in user groups, etc and share with TA teams in order to extend market reach and recognition as IBM leader in Hybrid Cloud.

### EPH & New Collar

- Utilize Brass Ring search to identify existing, active EP by skills, degree, etc.
- Implement online assessment as first screen to expedite the EP hiring process by role/skills.
- Utilize Skillset Analysis report to identify Universities in NA and Europe producing graduates with skills identified by BU as key success criteria

IBM CONFIDENTIAL

# CMS: Labor Productivity “Lift & Shift”

- Increase labor productivity

1. Lift/Shift 300 FTE from MM to GR.
2. Significant investments will be made in GR to ensure growth for 2018 revenue is 100% GR\* (reaching GR Remix @ 75%+ 25%)
3. Automation, Accountability and Autonomy are keys to success for increased labor productivity (actions to reduce total by 20%)

## 1. Strengthen our Talent priorities

- Manage labor shift model through attrition/performance management and hiring in GR countries to achieve the remix and labor productivity improvement
- Announce and execute co-location initiative to consolidate tribes and squads around strategic locations to enhance innovation, agile, and collaboration
- Conduct CMS skills assessment with Expertise Assessment plus new CMS Skills Assessment tool for managers to assess employees at a deeper skill set level in order to close the gaps

## 2. Embed our Plays

- Displace 300 major market resources (primarily contractors) and hire in GR countries (Costa Rica, India, Poland and Romania) to achieve GR remix and labor productivity
- Co-locate 200 resources in 2 main locations

## 3. Close critical gaps

- Site Reliability Engineering (SRE), UX Design / Implementation
- Chef Automation, SAP, Key front-end and developer ecosystems including: Node.js, Swift, Java, Perl, Python, Hadoop / Spark
- Premium Support, DC Ops & Customer Support, Networking / IS, Systems, Facilities management, Outage prevention, Abuse 24x7 coverage and SOC

## 4. Execute

### “Lift & Shift” Hiring - Overall Implementation Plan

Wave	Projected Quantity	Kickoff	Resource Approval Target	Planned Exit Dates Of Existing Resources	Hiring & Onboarding Target
Wave 1	68	9/15/17	9/19/17	9/29/17	4Q'17
Wave 2	70	10/4/17	10/18/17	11/10/17 & 11/20/17*	1Q'18
Wave 3	66 *	10/23/17	11/8/17	12/15/17	1Q'18
Wave 4	60*	01/18	01/18	1Q'18	1Q'18
Wave 5	1	04/18	04/18	2Q'18	2Q'18
Total	265*				

### Co-location Strategy

In 2018 initiate the next co-location phase in North America:

- Going forward, hire in designated IBM / CMS strategic site locations
- Employees that are within the mobility zone (50 miles) of IBM's strategic/maintain/special case locations must return to the IBM office

V CONFIDENTIAL

5

# Early Professional Hiring

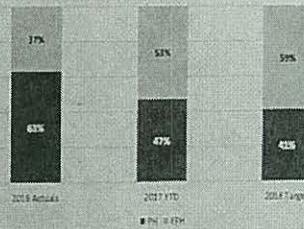
## • Winning with Talent

1. Shift headcount mix towards greater % of Early Professional hires
2. Increase Top Talent from Investment Universities
3. Build on Hybrid Cloud momentum in the New Collar Apprenticeship program (first business unit to establish cohort) and Military Fellowship program
4. Remix portfolio towards in demand skills

### Objectives and Initiatives

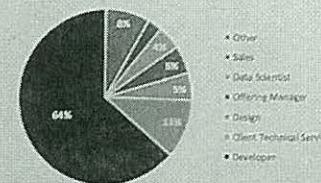
#### Retain & Attract

- Shift mix of Early Pro hiring to IUI programs (+30%) vs Non IUI
- Hire 2018 interns from IUI schools to create pipeline for IUI conversion in 2019
- Prioritize Female and Under Represented Minority hiring with the TBH team
- Incorporate the "Cognito" program into the fabric of Hybrid Cloud employees/executives so they are advocates for our brand at recruiting and hiring events



#### Headcount Mix

- Achieve 59% EPH mix by utilizing the TBH to replace headcount lost to attrition for our technical tracks
- Invest heavily in the New Collar Apprenticeship program and look to scale to additional sites in Emeryville, Ca. and Austin, Tx for New Collar Programs (Apprenticeships & Military Fellowship)



### Estimated allocation by GM and Geography

Leader	Program	NA	EUR	JP	AP	GCG	LA	MEA	TOTAL	% of Total
Thomas	Private Cloud	267	122	13	13	11	0	0	426	31%
Altshuller	Business Analytics	60	16	1	2	1	0	0	81	6%
Thompson	Business Development	0	0	0	0	0	0	0	0	0%
Robinson	Client Tech Engagement	99	34	4	9	13	1	1	159	12%
Kennedy	Hybrid Cloud Offerings	238	128	0	43	67	0	0	476	35%
Gilbert	Design	8	1	0	0	0	0	0	9	1%
Slaga	Cloud Managed Services	25	14	0	47	1	91	0	177	13%
Cowley	Sales	12	11	3	2	1	1	1	32	2%
Duncan	Marketing	0	0	0	0	0	0	0	0	0%
Other	Other	0	0	0	0	0	0	0	0	0%
Grand Total		710	325	20	116	94	93	2	1359	100%
		52%	24%	2%	9%	7%	7%	0%	100%	

### Estimated allocation by Job Category and Geography

Program	NA	EUR	JP	AP	GCG	LA	MEA	TOTAL	% of Total	
Consultant	16	28	0	5	1	0	0	51	4%	
Data Scientist	38	13	0	0	10	0	0	60	4%	
Design	60	6	0	1	2	0	0	68	5%	
Developer	489	226	13	64	74	0	0	865	64%	
Offering Manager	69	2	0	0	0	0	0	71	5%	
Sales	16	12	3	3	1	1	1	37	3%	
IT Specialist	3	16	3	1	2	0	0	25	2%	
Client Technical Services	4	14	0	37	0	91	0	146	11%	
Marketing & Communications	3	0	0	0	0	0	0	3	0%	
Functional Roles	11	9	2	5	5	0	0	32	2%	
Grand Total		710	325	20	116	94	93	2	1359	100%
		52%	24%	2%	9%	7%	7%	0%	100%	6

IBM CONFIDENTIAL